

Supreme Court, U.S.  
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No. 86-673

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IN THE  
**Supreme Court of the United States**  
OCTOBER TERM, 1986

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REVLON, INC.

*Petitioner,*

vs.

CARSON PRODUCTS COMPANY

*Respondent.*

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**BRIEF FOR RESPONDENT IN OPPOSITION TO  
PETITION FOR A WRIT OF CERTIORARI TO THE  
UNITED STATES COURT OF APPEALS FOR THE  
FEDERAL CIRCUIT**

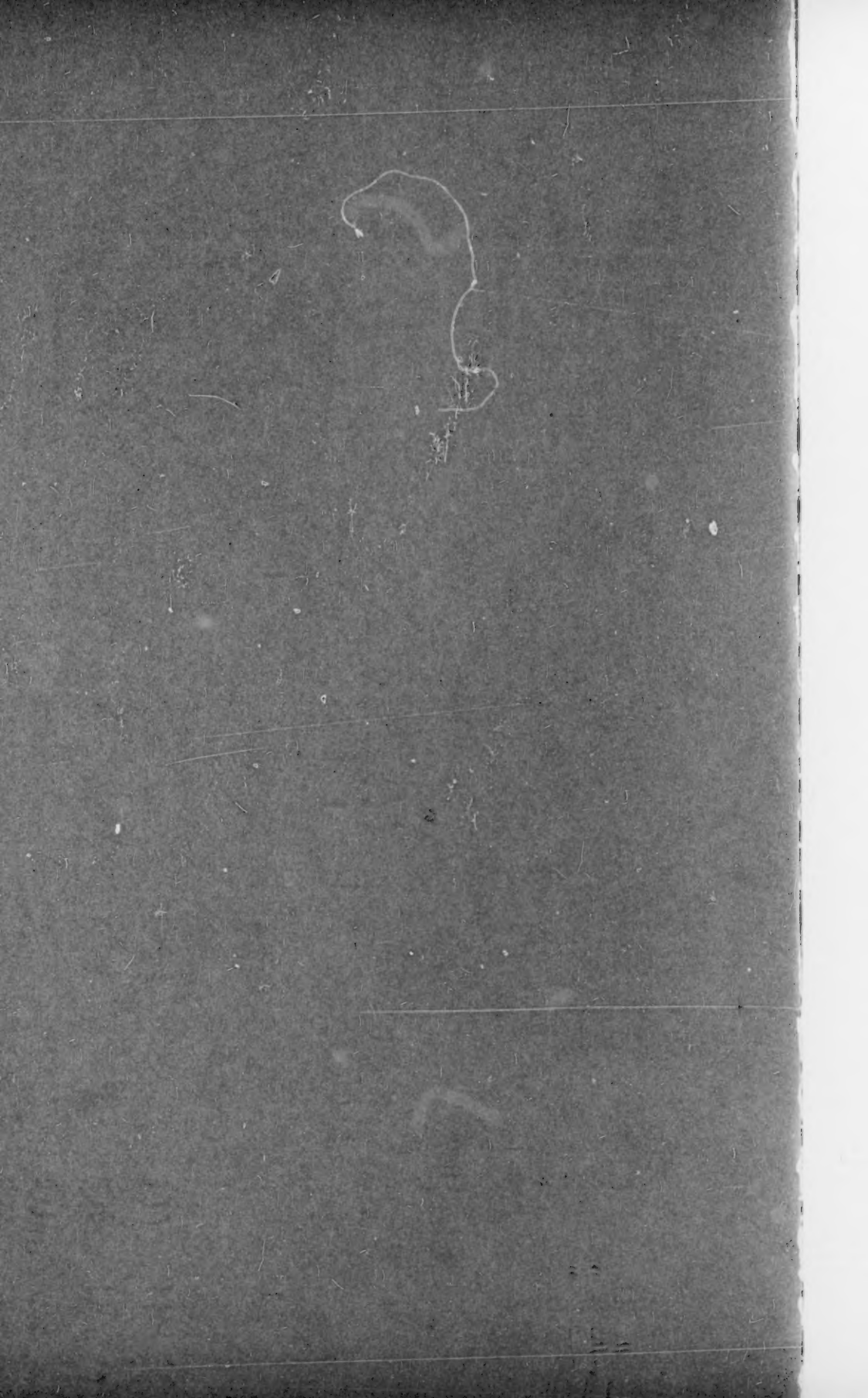
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THOMAS J. MACPEAK  
SUGHRUE, MION, ZINN  
MACPEAK & SEAS  
1776 K Street, N.W.  
Washington, D.C. 20006  
(202) 293-7060

*Counsel for Respondent*

*Of Counsel:*

SHELDON I. LANDSMAN  
1776 K Street, N.W.  
Washington, D.C. 20006



### QUESTION PRESENTED

The case at bar presents a narrow question of law, namely, whether conduct before the U.S. Patent and Trademark Office (PTO) during prosecution of a patent application which falls short of "inequitable conduct", as that term is interpreted by the Federal Circuit, constitutes a sufficient basis for a holding of "exceptional case" under 35 U.S.C. §285. This case does not present the question of whether, once having found the case exceptional, there was an abuse of discretion on the part of the trial court in making an award.

**STATEMENT PURSUANT TO RULE 28.1**

Aminco, Inc. is the parent corporation of Respondent, Carson Products Company.

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## STATEMENT OF THE CASE

Petitioner, Revlon, a "billion dollar" company, filed a declaratory judgment action against Carson, a small company specializing in the black ethnic hair care field. The suit was filed, without warning, when it was not necessary for Revlon to institute litigation.<sup>1</sup> In the declaratory judgment suit Revlon fired a barrage of fraud and inequitable conduct charges against Carson based on the prosecution of Carson's patent applications in the U.S. Patent and Trademark Office (PTO) and later also charged that Carson had conducted the litigation in bad faith.

After analyzing each of Revlon's arguments that the patentee had engaged in fraudulent conduct before the PTO, the district court found in the "Fraud" portion of its opinion (78a)<sup>2</sup> that there was a lack of clear and convincing evidence necessary for a holding of fraud and expressly held that Carson had not committed fraud. The district court found in some instances that Revlon had failed to prove materiality and in other instances that Revlon had failed to prove wrongful intent (scienter). The court did say that in four instances, it found a "lack of fair dealing," but also found these instances did not rise to the level of fraud.

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<sup>1</sup> Carson was at all times willing to grant Revlon a license under the patents-in-suit under terms accorded other licensees, but Revlon never seriously pursued such a license. Further, during prosecution of the patents, Carson requested Revlon to identify to Carson the prior art of which Revlon was aware, but Revlon refused to do so.

<sup>2</sup> References to pages of the appendices to Revlon's Petition are denoted "\_\_\_a". References to pages of Revlon's Petition are denoted "Pet.\_\_\_".

During the trial, the district court repeatedly praised counsel as to the fairness, thoroughness and competence of counsel, and did not find Carson to have conducted the litigation in bad faith.

In a separate portion of its opinion entitled "Attorneys Fees and Costs" (79a), the court stated that "defendant failed on a number of occasions to act in good faith toward the PTO sufficient to justify classifying the case as exceptional" under 35 U.S.C. §285. The court set forth no instance which it considered evidenced a lack of good faith sufficient to classify the case as exceptional. The attorney fee award was set by stipulation at \$525,440.00 in the Final Judgment (11a).

Carson appealed to the Federal Circuit on the question of attorney fees and Revlon appealed on the question of fraud or inequitable conduct. The Federal Circuit in its decision stated that it had reviewed each of the allegations of inequitable conduct, and found no error in the district court's findings of materiality or intent to deceive, or in the balance achieved in holding that Carson had not committed inequitable conduct in the PTO.

Revlon also raised before the Federal Circuit the question of Carson's conduct during the district court proceedings and during the appeal proceedings itself. The Federal Circuit chose not even to dignify with comment Revlon's baseless charges, and also pointedly stated that Revlon was wasting the appellate court's resources with its meritless patent misuse allegation. (Carson expects that at some stage during these proceedings, Revlon will find yet another baseless ground to attack Carson's conduct.)

Consistent with well-established precedent that when conduct in the PTO is at issue, an exceptional case exists only if the conduct arises to the level of fraud or inequitable conduct (with the concomitant result of patent unenforceability), the Federal Circuit reversed the trial court's award of attorney fees.

### SUMMARY OF ARGUMENT

In holding that an exceptional case does not exist where the sole basis for the exceptional case finding by the district court comprises acts by the patentee in the PTO which did not amount to fraud or inequitable conduct, the Federal Circuit followed well-established precedent. The Federal Circuit has never held that "bad faith" conduct in the PTO, without more, is sufficient for an exceptional case holding. The overwhelming weight of authority in the regional circuit courts and lower courts is to the same effect. Revlon has misapplied the cases it relies on with respect to the specific issue presented for review.

The stated legislative purpose behind awarding attorney fees to a prevailing accused infringer is to prevent a "gross" injustice. In the absence of "inequitable conduct," the patent is not invalid or unenforceable, and therefore it is fair for an alleged infringer to bear his costs and expenses in connection with the litigation since the alleged infringer still would have had to litigate the patent.

Accordingly, the petition for a writ of certiorari should be denied.

## ARGUMENT

### **I. The Federal Circuit Followed Well Established Precedent in Holding That Conduct During Prosecution Before the PTO Which Fails to Amount to Fraud or Inequitable Conduct Is Not a Sufficient Basis for "Exceptional Case" Under 35 U.S.C. §285**

The Federal Circuit has consistently held that where conduct before the PTO forms the basis for a holding of exceptional case, the conduct must rise to the level of "fraud" or "inequitable conduct" before the case will be held exceptional.<sup>3</sup> *Hycor Corp. v. Schlueter Co.*,

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<sup>3</sup> The term "fraud" does not appear in Title 35. It is a term that has frequently been invoked by courts and litigants in patent cases, but often with different shades of meaning in each context in which it is employed. *Digital Equipment Corp. v. Diamond*, 653 F.2d 701 (1st Cir. 1981). Thus, whenever a patent case talks about "fraud" or "conduct short of fraud", it is essential to determine what it means by "fraud" before that case can be compared with other decisions.

In an effort to provide a clear framework for analyzing conduct before the PTO, the Federal Circuit has begun using the term "inequitable conduct" as the description of the proscribed activity, with the understanding that the term encompasses affirmative acts of commission as well as omission. *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d 1553, 1559 (Fed. Cir. 1984), cert. denied, \_\_\_ U.S. \_\_\_, 106 S.Ct. 73 (1985).

Inequitable conduct as defined by the Federal Circuit requires proof by clear and convincing evidence of 1) a threshold degree of materiality and 2) a threshold intent, and then only after a careful balancing of intent in light of materiality. *J.P. Stevens*, 747 F.2d at 1559-60. The lower threshold for intent is gross negligence. *Hycor Corp. v. Schlueter Co.*, 740 F.2d 1529, 1540 (Fed.Cir. 1984). If one of the thresholds has been exceeded, but not the other, there can be no holding of inequitable conduct. Where inequitable conduct is found to occur, the result is that the patent is unenforceable. *J.P. Stevens*, 747 F.2d at 1560.

740 F.2d 1529 (Fed.Cir. 1984); *Vandenberg v. Dairy Equipment Co.*, 740 F.2d 1560 (Fed.Cir. 1984); *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437 (Fed.Cir. 1984); *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350 (Fed.Cir. 1984), *cert. denied*, 469 U.S. 821 (1984); *State Industries, Inc. v. Rheem Manufacturing Co.*, 769 F.2d 762 (Fed.Cir. 1985); *Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1384 (Fed. Cir. 1983).

Similarly, other regional and lower courts have held to the same effect. *See, Armour & Co. v. Wilson & Co.*, 274 F.2d 143 (7th Cir. 1960); *Arbrook, Inc. v. American Hospital Supply Corp.*, 645 F.2d 273, 279 (5th Cir. 1981) (Award proper "only when . . . [patentee] has acquired his patent by fraud or brings an infringement suit with no good faith belief that his patent is valid and infringed."); *Halliburton Co. v. Dow Chemical Co.*, 514 F.2d 377 (10th Cir. 1975) (reversing district court award based on fraud in Patent Office); *Digitronics Corp. v. New York Racing Ass'n, Inc.* 553 F.2d 740 (2nd Cir. 1977), *cert. denied*, 434 U.S. 860 (1977); *Lundy Electronics & Systems, Inc. v. Optical Recognition Systems, Inc.*, 362 F.Supp. 130 (E.D.Va. 1973), *aff'd per curiam*, 493 F.2d 1222 (4th Cir. 1974); *Mueller Brass Co. v. Reading Industries, Inc.*, 352 F.Supp. 1357 (E.D. Pa. 1972), *aff'd*, 487 F.2d 1395 (3rd Cir. 1973); *Regents of the University of Cal. v. Howmedica, Inc.*, 530 F.Supp. 846 (D.N.J. 1981), *aff'd*, 676 F.2d 687 (3rd Cir. 1982); *Q-Panel Co. v. Newfield*, 482 F.2d 210 (10th Cir. 1973).

These holdings of no exceptional case have been made regardless of whether the basis for the determination that there is no inequitable conduct resulted



from the fact that a) there was no intent or b) that there was no materiality.

In the present case, Revlon fell decisively short in its proof of materiality and accordingly there can be no finding of exceptional case.<sup>4</sup> See, e.g., *State Industries, Inc v. Rheem Manufacturing Co.*, 769 F.2d 762 (Fed.Cir. 1985); *Kimberly-Clark Corp. v. Johnson & Johnson*, 745 F.2d 1437 (Fed.Cir. 1984); *Mueller Brass Co. v. Reading Industries, Inc.*, 352 F.Supp. 1357 (E.D. Pa. 1972), *aff'd*, 487 F.2d 1395 (3rd Cir. 1973); *Regents of the University of Cal. v. Howmedica, Inc.*, 530 F.Supp 846 (D.N.J. 1981). In each of these cases, the court held that the lack of materiality precluded a finding of inequitable conduct and therefore a finding of exceptional case.<sup>5</sup>

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<sup>4</sup> With respect to the Moore article, Revlon fell short in its proof of intent (73-75a).

<sup>5</sup> In *State Industries*, the conduct of the patentee amounted to gross negligence, but since there was absence of materiality there was no basis for an exceptional case.

In *Kimberly-Clark*, the court found that the defendant had failed to prove materiality with respect to non-disclosure of Kimberly-Clark's in-house research, reversed the trial court's holding of fraud on this ground, and vacated the award of attorney fees that the trial court had made because of the fraud.

In *Mueller Brass*, the court did not condone the actions of the patentee in the prosecution before the Patent Office, but because of, *inter alia*, a lack of materiality, found no inequitable conduct and no exceptional case.

In *Regents*, the patentees acted wrongly before the PTO, but because the wrongful conduct did not render the patent invalid, that is, there was a lack of materiality, the court found that there was neither fraud nor inequitable conduct and the court



Thus, the Federal Circuit in finding no exceptional case in the present case was merely following well-established precedent.

## **II. The Legal Authorities Cited By Revlon Do Not Support Its Position On The Narrow Question Presented For Review**

Revlon argues that the Federal Circuit departed from the standard set forth in the Ninth Circuit's decision in *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir. 1969) and the Second Circuit's decision in *Kahn v. Dynamics Corp. of America*, 508 F.2d 939 (2nd Cir. 1974), *cert. denied*, 421 U.S. 930 (1975), both of which were relied on by the district court in the present case. This argument is wrong.

The *Monolith* decision in 1969 is the first decision under the 1952 Patent Act (the present day statute) to hold an exceptional case based on conduct in the Patent Office. Ahart, "Attorneys' Fees: The Patent Experience", 57 J. Pat. Off. Soc'y, 608, 626-27 (1975). What is remarkable about the *Monolith* decision is that, in reality, it was a harbinger to the Federal Circuit's present day analysis concerning "inequitable conduct," which requires that thresholds of materi-

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did not award attorney fees.

See also, *Indiana General Corp. v. Krystinel Corp.*, 421 F.2d 1023 (2nd Cir. 1970), *cert. denied*, 398 U.S. 928 (1970) where although there was a lack of candor by the patentee in its dealings with the PTO, which was coupled with a suspicion that the patent would not have been granted if the full facts had been known to the PTO, there was a failure to prove "deliberate fraud" and therefore was no basis for an award of attorney fees.

ality and intent be breached before there can be "inequitable conduct." See, footnote 3, *supra*; *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d at 1559-60.

In *Monolith*, the Ninth Circuit never defined what it meant by "fraud," but appeared to require an element of specific intent. The Ninth Circuit stated that conduct "short of fraud but in excess of simple negligence" was sufficient. This statement is the *Monolith* court's way of defining the intent element of inequitable conduct as being satisfied by gross negligence.<sup>6</sup> The *Monolith* court then found that *material misrepresentations* had been made which were a *crucial factor* in the obtaining of the patent, and that those misrepresentations were made with a "calculated recklessness about the truth."

The *Monolith* court, in reality, found that thresholds of materiality and intent had been exceeded, and under these circumstances had no trouble in finding the case to be exceptional. The same result undoubtedly would be arrived at today applying the Federal Circuit current analytical framework for deciding whether inequitable conduct had occurred.<sup>7</sup> Thus, *Monolith* does not stand for the proposition that conduct in the PTO which does not amount to fraud (inequitable conduct) can by itself be a basis for a case being exceptional

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<sup>6</sup> See also, *Digital Equipment Corp. v. Diamond*, 653 F.2d at 710, for the concept that "inequitable conduct—falling somewhat short of common law fraud" renders a patent unenforceable.

<sup>7</sup> The *Monolith* Court did not expressly address the balancing required by the Federal Circuit, but inasmuch as the materiality in *Monolith* appears to have been at the highest level, there is no doubt the balancing would result in a holding of inequitable conduct.

and is in accord with the Federal Circuit's analysis of exceptional case.

Significantly, in *Monolith*, the Ninth Circuit stated that an award of attorney fees should be made against "the patentee who obtained the patent by his wrongdoing." In the present case, the trial court held that the patent would have issued notwithstanding Carson's actions, and that Carson's actions were immaterial to the issuance of the patent. Accordingly, the *Monolith* decision does not provide any support for an award in the present case, but rather speaks against such an award.

The *Kahn* decision quoted with approval the *Monolith* decision, and found an exceptional case based on numerous instances of misconduct including bad faith in commencing and continuing the litigation, dilatory tactics, and a misleading of the PTO. The *Kahn* decision was not based on mere bad faith in prosecution before the Patent Office.<sup>8</sup> Thus, the *Kahn* decision does not provide any support for an award in the present case.

Revlon argues further that every circuit that has considered the question in issue here has adopted the "bad faith" standard governing attorney fee awards, accuses the Federal Circuit of disregarding these ear-

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<sup>8</sup> The trial court in the present case relied heavily on *Kahn* by employing a distorted and cropped quote from *Kahn* which changed important words and deleted precisely the language which makes it clear that the "bad faith" referred to in *Kahn* was bad faith in commencing and continuing the suit, and was not mere bad faith in prosecution before the PTO. Moreover, the patentee's conduct before the PTO in *Kahn* undoubtedly amounted to "inequitable conduct."

lier decisions, and calls the Federal Circuit decision a precedent changing departure from a "bad faith" standard<sup>9</sup>. The simple fact is, however, that the cases Revlon relies on are inapposite to the narrow issue presented here, that is, whether conduct before the PTO which is not inequitable or fraudulent is, by itself, a proper basis for an exceptional case. The cases cited by Revlon simply do not address this issue.

Thus, the patentee's conduct before the PTO was not even in issue in the *Uniflow*, *Kaehni*, *Parker*, *Livesay*, *Collins*, *Park-In-Theatres*, and *Purer* cases cited by Revlon.<sup>10</sup> Similarly, *Chemical Construction Corp. v. Jones & Laughlin Steel Corp.*, 311 F.2d 367 (3rd Cir. 1962) did not relate to the patentee's conduct before the PTO, but to bad faith in bringing an unfounded action as made clear in the lower court's decision reported at 197 F.Supp. 644.<sup>11</sup>

In *True Temper Corp. v. CF&I Steel Corp.*, 601 F.2d 495 (10th Cir. 1979), inequitable conduct and

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<sup>9</sup> The Federal Circuit considered its decision to be so insignificant to the body of law that initially it did not even publish its opinion, and did so later only because Revlon filed a motion.

<sup>10</sup> *Uniflow Manufacturing Co. v. King-Seely Thermos Co.*, 428 F.2d 335 (6th Cir.), *cert denied*, 400 U.S. 943 (1970); *Kaehni v. Diffraction Co.*, 342 F.Supp. 523 (D.Md. 1972), *aff'd*, 473 F.2d 908 (4th Cir. 1973), *cert. denied*, 414 U.S. 854, (1973); *Parker v. Motorola, Inc.*, 524 F.2d 518 (5th Cir. 1975), *cert. denied*, 425 U.S. 975 (1976); *Livesay Window Co. v. Livesay Industries*, 251 F.2d 469, 475 (5th Cir. 1958); *Collins v. Owen*, 310 F.2d 884 (8th Cir. 1962); *Park-In-Theatres, Inc. v. Perkins*, 190 F.2d 137 (9th Cir. 1951); and *Purer & Co. v. Aktiebolaget Addo*, 410 F.2d 871, 880 (9th Cir. 1969), *cert. denied*, 396 U.S. 834 (1969).

<sup>11</sup> *Chemical Construction Corp. v. Jones & Laughlin Steel Corp.*, 197 F.Supp. 644 (W.D. Pa. 1961), *aff'd*, 311 F.2d 367 (3rd Cir. 1962).

unenforceability of the patent were found. In *Colortronic Reinhard & Co. v. Plastic Controls*, 668 F.2d 1 (1st Cir. 1981), the patentee had committed a knowing fraud, and "bad faith" was found based on the patentees suing and continuing to press suit.

In *Campbell v. Spectrum Automation Co.*, 601 F.2d 246, 251 (6th Cir. 1979), an exceptional case finding was upheld because the patentee had failed to respond truthfully to a request for admissions, which had the effect of prolonging the litigation. The patentee also had made material misrepresentations to the PTO, but it was his bad faith conduct during litigation which gave rise to the award.

In *Maurice A. Garbell, Inc. v. Boeing Co.*, 385 F.Supp. 1 (C.D. Cal. 1973), *aff'd*, 546 F.2d 297 (9th Cir. 1976), *cert. denied*, 431 U.S. 955 (1977), attorney fees were awarded based on misconduct in the PTO relating to suppression of relevant evidence of prior publications, *coupled* with the failure of the patentee to make a reasonable assessment of the possibilities of infringement before bringing suit. In *Garbell*, the Ninth Circuit referred to its previous decision in *Monolith* as setting forth the basis for finding a case exceptional when concerned with conduct in the PTO.<sup>12</sup>

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<sup>12</sup> *American Can Co. v. Crown Cork & Seal Co., Inc.*, 693 F.2d 653 (7th Cir. 1982) arguably supports Revlon's position if its discussion of the effect of the co-inventor's view is considered to be the basis of the decision, but this discussion appears to be mere *dicta* since it is not necessary to the court's holding given that the court found numerous other bases for the award. Moreover, the discussion of the effect of the co-inventors' view appears to be contrary to the weight of authority in the Seventh Circuit. See, e.g. *Sarkes Tarzian, Inc. v. Philco Corp.*, 351 F.2d



It is clear that Revlon's broad generalization that a "bad faith" standard exists in every circuit is simply not true when the alleged misconduct refers solely to conduct before the PTO which is insufficient to render a patent unenforceable. Although the collective import of the above cases is that "bad faith" may be a sufficient basis for finding a case "exceptional," the bad faith referred to stems from, e.g., misconduct during litigation, bringing suit knowing that the patent is invalid, or making frivolous charges of infringement. These cases do not stand for the proposition that conduct in the PTO which is judged not to be "inequitable conduct" is a sufficient basis for a finding of an exceptional case under the statute. To the contrary, as discussed above, it is well settled that conduct in the PTO is not, by itself, a basis for a finding of an exceptional case where the conduct does not rise to the level of fraud or inequitable conduct sufficient to render the patent unenforceable.

Revlon also cites several decisions of the Federal Circuit as allegedly adopting this "bad faith" standard. The narrow issue present in this case, however, was not before the Federal Circuit in any of the cases relied on by Revlon.<sup>13</sup>

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557 (7th Cir. 1965); *Technograph Printed Circuits, Ltd. v. Methode Electronics, Inc.*, 484 F.2d 905 (7th Cir. 1973); *H.K. Porter Co. v. Black & Decker Manufacturing Co.*, 518 F.2d 1177 (7th Cir. 1975). In any event, *American Can* is contrary to the overwhelming weight of authority discussed *supra*, pp. 4-7. The *American Can* discussion is an aberration and is not binding precedent on the Federal Circuit. The Federal Circuit was created for the purpose of providing uniformity in the patent law, and its decision in the present case does so while adhering to well-established principles.

<sup>13</sup> In *Rohm & Haas Co. v. Crystal Chemical Co.*, 736 F.2d 688

### III. The Legislative History and Public Policy Support the Denial of Attorney Fees to Revlon

The traditional American rule on attorney fees is that they may not be awarded as costs or damages absent statutory authority or contract provision. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714, 717-21, 87 S.Ct. 1404, 18 L.Ed 475 (1967). In 1946, Congress amended the patent remedy statute to provide that the "court may in its discretion award reasonable attorney fees to the prevailing

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(Fed.Cir. 1984), *cert. denied*, 469 U.S. 851 (1984), the issue before the Federal Circuit was whether or not attorney fees could be awarded under §285 for an exceptional *appeal*. In *Rohm & Haas*, the Federal Circuit sets forth a review of the legislative history of the attorney fee statute, and of all the differing bases on which an exceptional case has been found. The Federal Circuit specifically noted that when prevailing alleged infringers have been awarded attorney fees, exceptional cases have involved *litigation in bad faith* by the patentee, or fraud or inequitable conduct during prosecution before the PTO. The Federal Circuit's review establishes that it has never held that conduct in the PTO which does not rise to fraud or inequitable conduct can be a basis for an exceptional case.

In *Stevenson v. Sears, Roebuck & Co.*, 713 F.2d 705, 713 (Fed.Cir. 1983), the patentees conduct before the PTO was not in issue, but only his conduct in pursuing the litigation.

Finally, in *Orthopedic Equipment Co. v. All Orthopedic Appliances, Inc.*, 707 F.2d 1376, 1384 (Fed.Cir. 1983), the Federal Circuit affirmed the lower court's denial of attorney fees because the patentee's conduct during prosecution in the PTO did not constitute fraud or inequitable conduct. The Federal Court further stated that in addition to fraud or inequitable conduct during prosecution, a case may be exceptional for "some other reason". No other reason was identified, but it is clear that these reasons related to litigation, as later confirmed in *Rohm & Haas Co. v. Crystal Chemical Co.*, 736 F.2d at 693.

party upon the entry of judgment on any patent case." Patent Act of August 1, 1946, Chapter 726, §1, 60 Stat. 778, 35 U.S.C. §70 (1946 ed.). The Senate Report stressed that awards of attorney fees should not be "an ordinary thing in patent cases," and stated that an alleged infringer could recover only "to prevent a gross injustice." S. Rep. No. 1503, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S. Code Cong. Serv. 1386, 1387.

Under the 1946 Act, the courts generally stated that although the award is discretionary, the trial court should make a specific finding to show the basis upon which the award is made, and that the statute should not be invoked "except in situations involving vexatious and unjustified litigation on the part of the patentee." *American Chain & Cable Co. v. Rochester Ropes, Inc.*, 199 F.2d 325 (4th Cir. 1952); *Laufenberg, Inc. v. Goldblatt Bros., Inc.*, 187 F.2d 823 (7th Cir. 1951); *Phillips Petroleum Co. v. Esso Standard Oil Co.*, 91 F.Supp. 215 (D.Md. 1950), *aff'd*, 185 F.2d 672 (4th Cir. 1950). No court ever awarded attorney fees to a prevailing infringer under the 1946 Act based on conduct before the PTO, and the few courts that suggested that an award could be made based on conduct before the PTO indicated that the conduct must amount to fraud. *See, e.g., Dubil v. Rayford Camp & Co.*, 184 F.2d 899, 902 (9th Cir. 1950).

In 1952, the patent statute was rewritten and the attorney fee provision was codified as 35 U.S.C. §285. The Revisor's Notes indicate that no change in meaning was intended. Revisor's Note for §285, S.Rep.No. 1979, 82nd Cong., 2d Sess. (1952), *reprinted in* 1952 U.S. Code Cong. & Ad.News 2394, 2423. The case law subsequent to 1952 makes it clear that the award



of attorney fees to a prevailing party requires a) a holding of "exceptional case," followed by b) the exercise of discretion.<sup>14</sup> Thus, even when a case is properly classified as exceptional, the award may be refused in the exercise of the court's discretion. *A.B. Dick Co. v. Burroughs Corp.*, 798 F.2d 1392 (Fed.Cir. 1986); *S.C. Johnson & Son, Inc. v. Carter-Wallace, Inc.*, 781 F.2d 198 (Fed.Cir. 1986). See also, *Rohm & Haas Co. v. Crystal Chemical Co.*, 736 F.2d 688 (Fed.Cir. 1984), *cert. denied*, 469 U.S. 851 (1984).<sup>15</sup>

Since the legislative history makes clear that alleged prevailing infringers can recover attorney fees only "to prevent a gross injustice." S. Rep. No. 1503, 79 Cong., 2d Sess. (1946), it is clear that the denial of the award to Revlon in the present case was proper.

First, Revlon had no need to file the suit at all. See, footnote 1, *supra*. Moreover, Carson was merely defending a lawsuit which it did not bring and in which it acted properly. *Fleischmann Distilling Corp.*

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<sup>14</sup> *ADM Corp. v. Speedmaster Packaging Corp.*, 525 F.2d 662 (3rd Cir. 1975); *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d 288 (9th Cir. 1969); *Q-Panel Co. v. Newfield*, 482 F.2d 210 (10th Cir. 1973); *Reactive Metals & Alloys Corp. v. ESM, Inc.*, 769 F.2d 1578 (Fed.Cir. 1985); *Machinery Corp. of America v. Gullfiber, A.B.*, 774 F.2d 467 (Fed.Cir. 1985). See also, 5 D. Chisum, *Patents*, §20.03[4] at pages 20-188 to 20-190 (1986).

<sup>15</sup> Although Revlon cites a number of cases for the proposition that the decision to make an award of attorney fees is discretionary (Pet. 8), these cases do not hold that the district court has wide discretion in deciding whether the case is exceptional in the first instance, but only that once a case is determined to be exceptional, the district court has discretion in deciding whether to make the award.

*v. Maier Brewing Co.*, 386 U.S. 714, 717-21 (1967). Compare, *Machinery Corp. of America v. Gullfiber, A.B.*, 774 F.2d 467 (Fed.Cir. 1985); *Halliburton Co. v. Dow Chemical Co.*, 514 F.2d 377 (10th Cir. 1975). Under these circumstances, failure to award Revlon attorney fees does not constitute a gross injustice.

In addition, the purpose of §285 is compensatory, not punitive:

The major purpose of the Section is to compensate a prevailing party for monies which he had to spend which he would not have had to spend but for the losing party's misconduct. If the prevailing party would have had to spend approximately the same amount litigating the patent even if none of the alleged misconduct had taken place, it appears to this Court that an award of attorneys fees would be punitive and not compensatory.

*Mueller Brass Co. v. Reading Industries, Inc.*, 352 F.Supp. at 1381.

An award of attorney fees in the present case would be clearly punitive rather than compensatory. None of Carson's alleged "misconduct" led to the issuance of patents to which it was otherwise not entitled. The patents at issue have at all times been enforceable, and do not suffer from unenforceability due to Carson's conduct in the PTO. See, *J.P. Stevens & Co. v. Lex Tex, Ltd.*, 747 F.2d at 1560. Accordingly, Revlon would have had to litigate the patent, notwithstanding Carson's alleged misconduct at the PTO. *Mueller Brass*, 352 F.Supp. at 1381. The reversal by the Federal Circuit of the award of attorney fees fully served the purpose of §285.

Revlon argues that the purpose of awarding attorney fees to a prevailing accused infringer is to provide an incentive to infringers to litigate suspect patents and enforces the patentees duty of good faith and candor. Although such an award might have a salutary disciplining effect, it has been recognized that disciplining is better left to other available channels. *Mueller Brass*, 352 F.Supp. at 1381.

The Federal Circuit has recognized the frequently cited policy consideration that supports an award to a party who succeeds in invalidating "fraudulent patents," but supports the proposition only to the extent that the award should be made "only when it would be unjust not to make such an award". *Rohm & Haas*, 736 F.2d at 692.

The stated policy considerations of awarding attorney fees to one who attacks a patent were enunciated in the *Monolith* decision, but as recognized in *Mueller Brass*, 352 F.Supp. at 1381, even *Monolith* speaks of awarding attorney fees against "the patentee who obtained the patent by his wrongdoing." *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 407 F.2d at 294. In the present case, the patent did not issue as a result of wrongdoing by Carson, and thus even this policy consideration is inapplicable here. As recognized by *Mueller Brass*, "[e]ven if there was gross negligence or improper motivation behind any of the things which occurred before the Patent Office . . . , it would have been immaterial in the sense that . . . the . . . [alleged infringer] would still have to [litigate] the present suit." *Mueller Brass Co. v. Reading Industries Inc.*, 352 F.Supp. at 1381. Such is the case here.

The effect of awarding attorney fees to an alleged infringer who has not proved that a patent is unenforceable because of fraud or inequitable conduct would be to reward a party for establishing that a wrong was committed in an administrative proceeding to which he was not a party and which did not affect his rights or liabilities. Such an award would turn an alleged infringer into a self appointed public enforcer or policeman, a purpose for which the statute was not designed.

Revlon's argument that it was Congress' intent to allow trial courts wide discretion to assess attorney fees for any bad faith misconduct before the PTO (Pet. 8-9) is unsupported by the legislative history. Nowhere does the legislative history refer to misconduct before the PTO. Revlon's argument that denial of attorney fees to a patent challenger removes one important incentive to litigate suspect patents is fallacious. Revlon could have been awarded attorney fees if it had proved its case that the patent was obtained by inequitable conduct. An award of attorney fees, however, was never meant to reward a party who failed in its effort to prove inequitable conduct.

In the present case, no gross injustice occurred as the result of denying attorney fees to Revlon.

### CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

THOMAS J. MACPEAK  
SUGHRUE, MION, ZINN,  
MACPEAK & SEAS  
1776 K Street, N.W.  
Washington, D.C. 20006  
(202) 293-7060

*Counsel for Respondent*

*Of Counsel:*

SHELDON I. LANDSMAN  
1776 K Street, N.W.  
Washington, D.C. 20006